

## Message Text

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ACTION EUR-12

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INR-07 L-02 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15

USIA-15 AID-05 EB-07 CIEP-02 TRSE-00 STR-04 OMB-01

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TO SECSTATE WASHDC 5668

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E.O. 11652: N/A

TAGS: ETRD, CA

SUBJ: LITTON SUBSIDIARY SALE TO CUBA

FOLLOWING ARTICLE APPEARED IN FEB 15 ISSUE OF  
TORONTO GLOBE AND MAIL UNDER HEADLINE "U.S. ALLOWS FIRMS  
TO SELL TO CUBANS":

QUOTE

WITH A BOW TO THE "IMPORTANCE" OF U.S. RELATIONS WITH  
CANADA THE STATE DEPARTMENT SAID YESTERDAY IT HAS GRANTED  
AN APPLICATION BY CALIFORNIA-BASED LITTON INDUSTRIES FOR  
THE SALE OF \$500,000 WORTH OF OFFICE FURNITURE TO CUBA  
BY A TORONTO SUBSIDIARY.

A DEPARTMENT SOURCE, SPELLING OUT OFFICIAL POLICY BUT  
SPECIFYING THAT HE NOT BE NAMED, SAID THE APPLICATION ON  
BEHALF OF THE COLE DIVISION OF LIZGON IN CANADA "WAS  
DECIDED ON ITS OWN MERITS."

ASKED WHY AN EXCEPTION TO THE EMBARGO ON TRADE WITH CUBA  
WAS MADE IN THE LITTON CASE, THE OFFICIAL SAID THERE IS  
"NO HARD-AND-FAST RULE" AND ADDED: "OUR RELATIONS WITH  
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CANADA WERE OBVIOUSLY OF IMPORTANCE IN A DECISION ON THIS

CASE."

TRADE MINISTER ALASTAIR GILLESPIE COMPLAINED ANGRILY IN DECEMBER, WHEN IT FIRST APPEARED THAT AN APPLICATION HAD BEEN DENIED. HOWEVER, IT WAS DISCOVERED LATER THAT LITTON HAD MADE ONLY INFORMAL INQUIRIES AT FIRST AND DID NOT FILE A FORMAL APPLICATION UNTIL EARLY JANUARY.

THE TREASURY DEPARTMENT, WHICH ISSUES LICENCES PERMITTING U.S. FIRMS AND THEIR SUBSIDIARIES TO TRADE WITH EMBARGOED COUNTRIES, CONFIRMED THAT THE LICENCE WAS ISSUED THURSDAY.

THE STATE DEPARTMENT OFFICIAL SAID HE "WOULD NOT ATTEMPT TO READ LARGER IMPLICATIONS" INTO THE LITTON DECISION - INDICATING THAT IT DID NOT SIGNAL A CHANGE IN OVER-ALL U.S. POLICY TOWARD CUBA.

UNDER THE TRADING WITH THE ENEMY ACT, THE UNITED STATES BANS ALMOST ALL COMMERCE BY ITS OWN FIRMS AND THEIR FOREIGN SUBSIDIARIES WITH CUBA, NORTH VIETNAM AND NORTH KOREA. TRADE WITH OTHER COMMUNIST COUNTRIES IS SUBJECT TO CONTROLS.

THE DEPARTMENT WILL CONTINUE TO REVIEW APPLICATIONS FOR CUBAN TRADE ON THEIR MERITS, THE OFFICIAL SAID.

HE SAID THERE ARE "A NUMBER" OF SIMILAR APPLICATIONS ON FILE WITH THE TREASURY DEPARTMENT, BUT HE COULD NOT SAY HOW MANY OR WHETHER ANY OTHER CANADIAN APPLICATIONS WERE AMONG THEM.

THE DECISION TO GRANT THE LITTON APPLICATION IS UNDERSTOOD TO HAVE BEEN MADE BY SECRETARY OF STATE HENRY KISSINGER PRIOR TO HIS DEPARTURE ON HIS CURRENT TOUR OF THE MIDDLE EAST.

THE LITTON EXCEPTION WAS THE FIRST SINCE THE STATE DEPARTMENT APPROVED A DEAL LAST YEAR FOR THE SALE OF AUTOMOTIVE PRODUCTS TO CUBA BY ARGENTINE SUBSIDIARIES OF UNCLASSIFIED

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THE BIG THREE U.S. AUTOMAKERS.

A MONTREAL LOCOMOTIVE MANUFACTURER, SUBSIDIARY OF A NEW JERSEY FIRM, APPLIED FOR AN EXEMPTION AT THE SAME TIME. BUT THE COMPANY'S U.S. DIRECTORS WERE REPLACED BY CANADIANS BEFORE APPROVAL COULD BE GRANTED. UNQUOTE PORTER

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